



U.S. Department of Justice

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NEWS RELEASE

TWO CHARGED IN SMALL BUSINESS LOAN SCHEME

SALT LAKE CITY – James R. Downward, age 43, of Sandy was arraigned in federal court Wednesday morning on charges related to a small business loan scheme allegedly executed by Downward and his co-defendant, Huey-Nan Steve Lin, age 37, of North Salt Lake City.

A 24-count indictment returned June 30, 2010, charged the pair with an extensive fraudulent scheme executed from November 2004 to around September 2008. The indictment charges Downward and Lin with making false statements to obtain a small business loan; false statements to influence a financial institution; bank fraud; aggravated identity theft; and money laundering. Downward entered a not guilty plea to the charges, and an Oct. 4, 2010, trial date was set. Lin has not yet appeared to be arraigned.

Downward was president and owner of D&D Financial Services, a full-service tax and accounting firm that prepared tax returns and performed payroll, data entry, and other bookkeeping services for clients. Lin was the owner of a Blimpie's Restaurant.

The indictment alleges the defendants obtained money from financial institutions under the guise of small businesses applying for business loans or business lines of credit by using straw borrowers they recruited to submit false and fraudulent loan applications to banks. In fact, the indictment alleges, the defendants diverted the loan proceeds and line of credit draws for their personal benefit, none of which was related to the small businesses for which the money was loaned.

According to the indictment, the two men recruited straw borrowers with promises of benefits, in exchange for those borrowers permitting their personal information to be used on loan applications for real businesses whose company names were used without the knowledge of the businesses' actual owners. Downward and Lin are alleged to have fabricated the documents used to induce the banks to approve the loans.

The indictment further alleges that several of the loans obtained as a part of the scheme were Express Loans insured by the federal Small Business Administration (SBA). Other lines of credit falsely obtained by the two men, according to the indictment, were the result of their theft of personal identifying information of straw borrowers, and, in one instance, an individual not involved in the alleged scheme.

Investigators believe the conduct alleged in the indictment resulted in Downward and Lin fraudulently obtaining about \$399,900 in loan proceeds from various financial institutions. The indictment alleges Zions Bank, First Horizon Bank, and Capitol One Bank were victimized by the fraud.

The potential maximum penalty for both the bank fraud charge and the charge of making a false statement to influence the actions of the SBA is 30 years in prison. Money laundering carries a penalty of up to 10 years, and making a false statement to obtain a small business loan has a maximum two-year penalty. Aggravated identity theft is a two-year mandatory sentence, which would be served consecutive to any other sentence.

The case is being investigated by the Office of Inspector General of the SBA and the IRS.

Indictments are not findings of guilt. Defendants charged in indictments are presumed innocent unless or until proven guilty in court.

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